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S P E E C H

OF

HON. JOHN B. ALLEY,

OF MASSACHUSETTS,

ON

THE STATE OF THE UNION.

DELIVERED IN THE HOUSE OF REPRESENTATIVES, JANUARY 23, 1862.

The House being in Committee of the Whole on the state of the Union, Mr. ALLEY addressed the Committee as follows:

Mr. CHAIRMAN: Never was I more strongly impressed with the profound conviction that no questions were ever agitated in these halls of greater importance, in all their aspects and in all their consequences, than the financial measures which the necessities of the hour call upon us now to inaugurate.

Here, in mid-winter, with a stagnant trade, and in all the industrial energies of a great people palsied by the nightmare that is upon us, we whom the people have sent here to provide ways and means of relief, have done nothing; and so far as our monetary affairs are concerned, if we except perhaps the Committee of Ways and Means, are apparently as unmoved as though all was well. With our Treasury upon the eve of bankruptcy, and those who have been supplying the wants of the Government knocking at the doors of the Treasury for the payment of their honest dues, until hundreds are already ruined, and unless something is speedily done you may soon count them by thousands; yet, hour after hour, day after day, and week after week, we have done but little except waste our valuable time in continual talking about comparatively unimportant matters. Great schemes are to be devised, and measures enacted, upon which our national destinies almost depend, which should engage the earnest thought and the active energies of every member of this House, to the exclusion of everything else, until the task is accomplished.

The first thing to be done is to raise the means to carry on the Government, by making available its credit in the best possible manner, at the smallest expense possible, with the least detriment to the material interests of the whole people. In order to accomplish this object of raising money at the least possible expense, you must make your securities good by adequate taxation. This, happily, the House has shown its disposition to do by the adoption of the joint resolution of the 15th instant by an overwhelming majority. It now only remains to adjust the details of a plan of taxation, and to determine the best means of making available the credit of the Government, so as to secure as much relief as possible to the great industrial interests of the nation, and with the least disturbance practicable to the monetary systems of the country. All will admit that our first great duty is to provide for the wants of the Government at any cost and every hazard. Every individual and corporate interest must bow in patriotic submission to the necessities of the Government. I confess I approach the discussion of these questions of finance with great distrust of my ability to satisfy fully my own judgment of what is entirely best to be

done, much less to enlighten others with regard to their duty; but having been engaged from my early manhood in business operations and financial negotiations, more or less extended, my attention has naturally been drawn to the consideration of this intricate subject; and I should be recreant to my convictions of duty if I failed to give to my constituents the reasons for my vote.

The currency question has employed the brain and enlisted the pen of the profound philosopher, as well as that of the greatest statesmen and most eminent writers of every age, in every country, for many centuries. A mixed system of currency and barter was first introduced by William the Conqueror eight hundred years ago; and from that day to this we have an authentic record of its history. The history of the currency question furnishes the evidence of the world's civilization and progress. It is recorded of William that:

"Having obtained the nation by conquest, he regarded every man as his steward, liable to render an account to him of whatever he possessed. He caused an exact inventory to be taken of all their possessions; he exacted payment of taxes in military service, in the products of the land, and goods and merchandise of every kind."

His great sagacity soon perceived the power and convenience of money, and he introduced coining, and fixed the rate at which he would receive coin as a commutation for services or taxes. Thus a system of currency naturally grew up; it being made at first optional with the people to pay in money or in kind. Through every successive reign, for several centuries, the monarch exercised exclusive jurisdiction over the currency and all the possessions of his subjects. Crude as were their ideas, and false as were their notions of political economy, yet the prosperity of their material interests then, as now, depended upon the same great laws of supply and demand, and was seriously affected by every alteration in the currency as they were by every change of dynasty.

In the reigns of the Henrys and the Edwards the coinages were frequently altered to suit the exigencies and wants of the Crown. An improvident and reckless monarch was sure to produce a dearth of money, and a dearth of money was always followed by a dearth of food. In those days, as well as in our own, a scarcity of money produced great distress, and even famine, in the midst of plenty. When the monarch's improvidence and reckless expenditure produced its natural result, scarcity of money, and the distress became intolerable, a resort to coin of inferior metal, and the reduction of the standard of value, was the general expedient; which had the effect always of partial but temporary relief. In the reigns of Edward I and Edward II, the price of nearly all articles was established by law; and the effect was that provisions became exceedingly scarce, and famine and pestilence ensued to such a fearful extent that the people were diminished by starvation and disease, to a degree which it was frightful to contemplate. These attempts to regulate the price of provisions by law, and also to determine the money value of labor by legal enactments, and the constant practice of enhancing and depreciating the currency as the necessities or whims of the Crown might suggest, occasioned rebellion, which cost some kings their crown and others their life.

In England, during the reigns of the thirteenth century, in *some* decennial periods, the currency would be changed, enhanced, or depreciated, as the case might be, over twenty per cent. When the standard of legal value and coinage was lowered, as it was done sometimes in periods of great distress, to the amount of more than twenty per cent., temporary relief was sure to follow, and an impetus always given to every branch of industrial interests; for its effect, of course, being to increase the amount of currency, and enable every one that owed to pay his debts more easily, while he who had obligations due from others to himself was compelled to receive practically a less amount than was agreed upon when the obligation was incurred.

So, on the other hand, when the standard of value was increased, or enhanced—that is as against labor and commodities—those who were in possession of gold and silver realized enormous profits, as well as those who had obligations due to them. The experience of those periods shows that even with an exclusive metallic currency, you are scarcely less free from fluctuations and embarrassments, without proper economy, than you are under a credit currency.

Down to the reign of Henry VIII, the Parliament of Great Britain had but little power and influence as against the Crown; from that time its influence and power continued to increase up to the present moment. Therefore up to that time the currency may be said to have been regulated entirely by the monarch; and while instability and fluctuations from one extreme point to another marked every reign, the coin was not debased to any such extent as afterwards. Prohibitory laws were passed to prevent the exportation of coin; statutory enactments for the regulation of labor and provisions; but it was all to no purpose, private interest, then as now, always proving too ingenious for the public laws. In the reign of Henry VIII, the people were taxed so enormously that there was not gold and silver enough in the realm to represent the amount of taxation without a deterioration of the coinage; and during this reign the coinage of gold was reduced in standard one third, and that of silver was reduced more than three-fourths. The enormous expenditures of Henry drove him to the necessity of excessive taxation, and there was no way to obtain relief, without ruining the people, except by debasing the currency. In his son's reign, Edward VI, the currency was debased to such an extent that £20,000 of this base coinage of his father's reign was increased to £180,000 of new coinage. Other nations now characterized the English coinage as "infamous."

I mention these things to show how intimately connected the system of currency is with the prosperity of Government and the people in every age; and it is only in the light of history and the experience of the past that we may learn wisdom to guide us in surmounting the difficulties of the present and providing for the wants of the future. During all this period when this currency was fluctuating, the rate of interest would fluctuate from ten to sixty per cent. With the reign of Elizabeth commenced a determination to improve the currency. Stowe says:

"In 1563 London was visited with a threefold plague—pestilence, scarcity of money, and dearth of victuals. These calamities, which came upon the nation almost as soon as the new coinage was completed, were the natural consequences of that measure—namely, of improving the coinage. When money was made worth hoarding, and by restraints on profit, capital was driven from employment, famine and sickness were sure to follow."

During the succeeding reigns, although the Government and the people sustained serious embarrassments, and the fluctuations were frequent and disastrous, the standard was not reduced again until the days of Charles II, when scarcity of money again became intolerable, both to Charles and the great bulk of the people. The old expedient was resorted to, of diminishing the value of the currency; and arbitrary and oppressive enactments were enforced to prevent the exportation of specie. While this state of things existed, although there was not currency enough to supply the necessary channels of trade and the legitimate wants of the people, the coffers of the great capitalists were filled to repletion.

But fluctuations and distress continued in a greater or less degree until the Prince of Orange ascended the throne of England. He found money exceedingly scarce, and various expedients were resorted to to sustain the Government in the prosecution of its continental wars. But during the reign of this monarch—among the very wisest and best of England's sovereigns—the Bank of England was established; and Parliament, in 1695, passed an act to suspend, for a time, the coinage of guineas, and the importation of guineas was entirely prohibited. The adoption of these measures, with the establishment of the Bank of England a short time previous, created a mixed currency of paper and silver coin, which was taken freely in exchange for merchandise, produce, and Government dues.

In 1698 bank notes were twenty per cent. lower than specie, but in a few months they could be exchanged for gold at two and a half per cent. Strange as it may appear to those who have not investigated the subject, it is no less true that greater stability and less fluctuation occurred after the introduction of this mixed currency of coin and paper than ever before under an extensive metallic currency. With the restoration of peace in 1763, the national debt

was found to be £133,000,000. But the system of finance which was adopted by the Government, in conjunction with the bank, placed the securities of both on a strong foundation. The Government being in a good condition financially, and the bank being strong, the cry was universal for an improvement in the standard and specific value of coin. A new and improved coinage was resolved upon by the Government. Any great improvement in the coinage necessarily caused great scarcity of coin, and while it filled the coffers of those who had obligations due them, it ruined multitudes who had incurred liabilities they expected to pay in the old coin. Therefore we perceive that increasing or decreasing the volume of the currency in all countries and every age produces the same effect. Its undue expansion stimulating unhealthy business—causing high prices, and apparent but deceptive prosperity; while, on the other hand, contraction, causing stagnation in trade, distress and ruin are sure to follow in its wake. The great financial desideratum, therefore, is to prevent the one and avoid the other as much as possible. The history of the currency with other nations on the continent shows the same results to have followed the same course of action there.

I have spoken chiefly of England because she has a more authentic record, and her experience has been upon a wider field, and a larger scale, than that of other nations; but the same inexorable laws of trade apply equally alike to all. The stable condition of the currency and trade of England, which I have spoken of as existing at one period in the last century, was of but short duration. Her enormous debt, and the deranged finances of the country, forced Parliament to pass, in 1797, the restriction act, which compelled the Bank of England to suspend specie payments. For more than twenty-four years succeeding that event the circulating medium was almost entirely composed of paper currency. In view of the history of England during this eventful period, which carried her through vast continental wars as well as one with America, with her incalculable expenditures and overwhelming indebtedness, and in the light of our own experience, I can see nothing to alarm in the suspension of specie payments by ourselves, and nothing in the financial condition of our own Government to occasion despondency, if we will but exercise the authority and apply the remedy at our command. It has been the purpose of England, through the whole record of her history, to be governed in her financial policy by the exigencies of the hour and the necessities of the occasion.

The Government of England assimilates more nearly to our own than any other as a Government of the people; hence, in all her financial arrangements—during the present century, at least—her Government has wisely coöperated with, and been regardful of, the interests of those who conducted the financial and business interests of the people, always, however, being careful to keep the control of every interest within its own grasp. We are most emphatically a Government of the whole people. We must be equally careful, in our financial arrangements, to consult, so far as the wants of the Government will permit, the interests of those who have chief control of the financial and business interests of the country; but we must never forget that the Government is supreme, and that individual will and corporate interests must all be subordinated to the overshadowing necessities of the Government. The question is not with us now, what system of finance is best under other circumstances, but what is the best to be done in this crisis; and in order to determine *that* question, we must be governed more or less by considerations connected with existing systems.

There are three great financial measures now before Congress, the adoption of which, coupled with a determination to reform expenditures, will, in my judgment, resuscitate the drooping interests of trade, improve the credit currency of the country, establish confidence, and place the public credit upon as firm a foundation as that of any Government on earth. First, authorizing the issue of \$100,000,000 of Treasury demand notes of not less than ten dollars, to be made a legal tender, convertible at any time, in sums of not less than \$100, into United States six per cent. bonds, payable in twenty years; or convertible into sterling bonds of not less than £500, interest payable in London. The second—simultaneous with this—the levying of a tax of \$150,000,000. Thirdly, to provide a uniform currency, by adopting the recommendation in

the able report of the Secretary of the Treasury, by causing all the bank circulation of the country to protect holders against loss by securing their redemption by a pledge of United States stocks. I should not be in favor of either of these three measures standing alone; but in combination, each with the other, they will be found to confer the triple benefit of relief to our immediate necessities, establishing confidence on a firm foundation, and giving to the people a safe currency, which shall be uniform in every section of the country, and ample for all the requirements of trade.

As to the first proposition, it furnishes a currency which supplies fully, without interest, the wants of the Government at a time when the Government is unable to meet its liabilities for any great length of time without making a forced loan. The adoption of this plan will save thousands from bankruptcy, and afford immediate relief to the creditors of the Government, and through them the entire community in every section of the country. It undoubtedly will increase the volume of the currency, and enhance prices—and this, in the minds of many, constitutes its greatest objection. To my view, however, it is, at the present juncture, a great merit. I have been all my lifetime an advocate of a restricted currency. I would always fetter paper issues with stringent provisions—never increasing them beyond the legitimate wants of a healthful trade; but there are times in the histories of nations, as well as individuals, when contraction is detrimental to their interests, and expansion the salvation of all. Never shingle a leaky house in a storm; if you do, the time which will elapse between taking off the old shingles and putting on the new would be sure to deluge you with a flood. To undertake to collect \$150,000,000 in a tax upon the people, with a contracted currency, would involve all in irretrievable ruin, except those, who are few in number, who owe nothing and have a great deal owing to them. I think the history of the currency question in other countries—instances of which in England I have endeavored to give as fully as the brief time allotted to me in the discussion would permit—demonstrate most fully that it is unwise to invest in one kind of property, namely, specie, the prerogative of fixing the value of all other property. Said Lord Bacon, the wisest statesman, many think, that ever lived:

“Above all things, good policy is to be used that the treasure and moneys in a State be not gathered into few hands, for otherwise a State may have a good stock and yet starve; and money is like muck, no good unless it be spread.”

How often has it been witnessed in Great Britain, when there was a scarcity of money, that there was famine and distress in the midst of plenty; and we have not been entirely free from such an anomalous state of things in our own country.

But it is said by some that the issue of an irredeemable paper currency will destroy all values, and end in such depreciation as to make them as valueless as the French assignats or the Continental money of the American Revolution. How preposterous such an idea! The French assignats were only based upon one kind of property and receivable only for taxes, and the Continental money based upon nothing—no security at all. These issues will be based upon all the property of the country, and not only receivable for *all* public dues, but also for all private debts and obligations of every name and nature. They would be convertible into bonds bearing six per cent. interest, which bonds, of course, are sure to be paid as the sun is to shine.

I do not think it would be well to have this a permanent measure. Government ought not in time of peace to issue anything in payment of its obligations but specie; or at his time of need and war to issue any more paper promises than is absolutely necessary to meet its pressing necessities. It should be its policy to fund them as fast as possible, and to that end I would furnish an additional inducement by making *large* sums convertible into sterling bonds, as that secures the payment in specie of both interest and principal. If this rule is adhered to, of confining the issues to the smallest amount possible, consistent with the wants of the Government, the circulation will not be increased beyond the requirements of a legitimate and wholesome trade. Too many forget “that money is merely the instrument by which the act is performed, and in which the account is kept, and the relative values calculated.” If only specie was



money, and that alone represents value, then, indeed, we should be able to do but little towards discharging the obligations which individuals as well as nations have incurred. The amount of specie in the country, available for purposes of circulation, is very small in comparison with the necessity for its use if any considerable portion of the indebtedness would be liquidated by it.

The whole amount of specie in the country is estimated at \$300,000,000; although at no period in the nation's history has the amount been so large as it is to-day. The individual indebtedness of the people of the United States, to say nothing of corporate, State, and national obligations, amounts to several thousand millions of dollars. In our own State of Massachusetts, where our currency is as sound, and our banking institutions as well managed as in any State of the Union, our floating indebtedness, consisting of obligations maturing and to be paid within an average of time of ninety days, exceeds, usually, I calculate, \$100,000,000; and yet our whole stock of specie seldom exceeds eight or nine millions. The immediate liabilities of the banks themselves are usually upwards of \$50,000,000. The confidence felt in the ability of these debtors to meet their maturing obligations to such a vast amount, rests not upon the specie they have, but upon the property which they possess; and it matters not whether it be a piece of gold coinage, or a paper obligation, if it represents property of value, it is equally as good. So with these Government obligations. It may not have the specie, but as long as it has the property which this obligation is the representative of, it is quite as good.

In this connection, if I had time, I would like to present to the House some statistics of the operations of the Bank of England during the suspension of specie payments from 1797 to 1821-22, to show the connection between its issues and the price of Government securities and all other stocks; but I can only remark now, that in every instance whenever the circulating medium, or the issue of bank paper was increased, Government securities always rose in proportion to such increase. And whenever, on the contrary, the issues were contracted, Government securities, as well as all other kinds of property, fell just in the ratio of decrease of the currency. In two years previous to the suspension of specie payments by the Bank of England, she reduced her circulation twenty-eight per cent. Her circulation being on the 1st of January, 1795, about £13,500,000; in January, 1797, a few weeks previous to the suspension, it was but little more than £9,500,000; and consols fell during this time thirty-five per cent. On the first of January, 1798, the bank circulation was a little over £11,000,000, and on the 1st of January, 1800, over £13,000,000. Consols rose during those two years, from 49 to 62, over twenty-five per cent. Before the suspension, exchange on Hamburg was about 31½; after the suspension, it rose to 38; but before 1800 it was reduced to 32, notwithstanding the continued suspension of specie payments, and the great increase of paper currency. From 1813 to 1814, the public debt of Great Britain was increased about £78,000,000 sterling, and the bank circulation was increased about twelve per cent., and consols rose from 58 to 66½—and all this with an irredeemable paper currency, but founded upon an intelligent confidence in the power of the Government and the resources of the people.

All this but shows not only how important it is to avoid undue expansion, which is sure to be followed by ruinous contraction, but also that confidence, credit, and value are not based exclusively upon specie, or a currency immediately convertible into that commodity, but are to be measured by the relative quantity of currency to the property it represents and the amount actually necessary to the perfectly legitimate wants of trade, whether it be paper or gold.

When we reflect that the Government has the power to compel the payment of taxes sufficient to liquidate *all* its obligations, and see a willingness to exercise that power to any necessary extent for that purpose, we cannot but have confidence. Supposing this war should continue, as the Secretary of the Treasury suggests it may, until July, 1863—which, to my mind, is very improbable—according to his estimate, which I have no doubt is correct, we shall then owe \$900,000,000. This looks like a large sum, but with our boundless resources and matchless energies in the development of material interests we can pay the interest easily, and if need be a considerable portion of the principal annually. We can make, if we wish, our public lands, if managed properly, and

disposed of judiciously, pay one-third of this debt, if it be funded for twenty years, before it would become due, and then have enough left to pay two-thirds of the balance in the succeeding twenty years. In fact, our public lands, together with the gold and silver obtained from the bowels of the earth, if reserved for that purpose, in all probability would liquidate the principal of this indebtedness in less than a third of a century.

But in my judgment this contest will be closed before our indebtedness will exceed two-thirds that amount. At the same ratio of increase of wealth for the last few years in the loyal States alone, it will not be much more than three and a half per cent. of the estimated value of what the wealth of those States will be when these bonds mature. Nine hundred millions of dollars is only about twice as much as the usual annual expenses of England in time of peace, and but little more than she has expended in a single year during several periods of her history. It is considerably less than one-fourth of her present indebtedness, with a population less than our own. The probable surplus earnings of the single State of New York might, if so disposed, wipe it all out in ten years. Can any man of reflection doubt, when he realizes these facts, that we have little cause to doubt the ability of this Government to maintain its credit unimpaired through any pecuniary trials it may be called upon to encounter? If any are disposed to repine at present troubles, let them learn lessons of patience and wisdom from our fathers who have bequeathed to us this glorious inheritance; and may we not blush for shame when we reflect upon their unexampled energies and our nerveless impotence?

I am in favor of issuing no notes of a less denomination than ten dollars, because I am opposed to the Government competing in the circulation with the banks any more than is absolutely necessary to provide for its necessities; and if the small note circulation is left for the banks to supply to the local currency, predicated upon United States bonds, I think the interest of all will be promoted in the end, and simple justice only done to those institutions. It has for a precedent the wise example of the Bank of England during the suspension of specie payments by that institution. It allowed the country banks to supply the local small note circulation, and thereby made the security stronger and confidence greater in the whole system.

The measure of taxation is so obviously wise and necessary, and the House has exhibited such willingness to resort to it, that I will merely remark that that great statesman, William Pitt, always said "that nations, as well as individuals, ought always, in contracting debts, to have some plan of redemption; without it, public confidence could not be retained." And Alexander Hamilton, among the ablest of statesmen and the greatest of financiers, said "that he wished to see it incorporated as a fundamental maxim in the system of public credit of the United States, that the creation of debt should always be accompanied with the means of extinguishment."

The other measure, of establishing a uniform national currency, substantially as recommended by our able Secretary of the Treasury, by furnishing the banks with their circulating medium upon a pledge of United States stocks, is no new measure as the Secretary well observes. It has existed virtually in several of the States for many years. A similar measure was adopted in my own State ten years ago. As a member of the committee on banks and banking, in the Senate of Massachusetts, I had the honor to affix my signature to a very able report, recommending this measure, drawn up by my distinguished friend and colleague, [Mr. HOOPER,] then a member of that Legislature, now upon the Committee of Ways and Means of this House. That proposition, upon mature reflection, received then the approbation of my judgment, and the sanction of my vote; and subsequent observation and experience have but confirmed and strengthened the convictions of that period. Never was so opportune a moment as the present for carrying out this measure, which will furnish a currency to the whole country, uniform and sound. It will place the whole banking of the country upon a substantial, legitimate, and safe basis.

Not the least among the many advantages of this system must be the great saving in exchange; in fact, annihilating the cost of exchange, or rather reducing it to a mere trifle. Thus will the great Northwest be relieved of a great burden, which has always, in periods of revulsion and scarcity of money,

seen a terrible incubus upon the business interests of that section. Facilities for obtaining cheap exchange in new countries are almost impossible under any other system that I have ever heard suggested. This system, therefore, must commend itself most fully to their support. It will remedy, to a great extent, the evil, too prevalent in New England, of unsafe expansion of the circulation by our country banks, when tempted by large dividends and pressing customers under an easy money market, which is always sure to be followed by distressing contraction, leaving both banks and customers quite frequently in a crippled condition. It would compel these country banks, in order to make their capital remunerative, to rely more upon deposits and less upon circulation in the future.

The effect of this will be to furnish an additional safeguard against overtrading that cannot be otherwise than beneficial to the whole business community, no less than to the banks themselves. It will also by its practical operation aid essentially in the resumption of specie payments at an early day after the settlement of our difficulties, by the prevention of undue expansion. Basing our whole banking circulation upon the public stocks must create a demand and enhance the prices for them, making it for the salvation of all the moneyed interests of the country to preserve and maintain the credit of the national Government. With the public credit preserved, it will be an easy matter for us to resume specie payments by selling our securities in the markets of Europe; for upon the return of peace they cannot fail to be a desirable investment, commanding a large premium in the money markets of the world. This rebellion has taught us the necessity of strengthening by every means in our power the bonds of union between the several States; and the Secretary upon that head well remarks:

"A further and important advantage to the people may be reasonably expected in the increased security of the Union, springing from the common interest in its preservation, created by the distribution of its stocks to associations throughout the country, as the basis of their circulation."

Adopt these measures and diminish the burdens of the people by every prudent retrenchment and reform, by ferreting out and punishing severely the commission of all frauds, and then, if the policy of the Government in other respects shall be as vigorous and wise as its financial arrangements are politic and just, then, indeed, may we feel that if we have not "indemnity for the past," we shall at least have "security for the future." And I venture to predict a degree of prosperity for the American people, for the next ten years, unexampled in the annals of their history; then, also, shall we resume a place among the nations of the earth, commensurate with our vast empire, boundless resources, mighty interests, and high purposes.

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